



Delaware River Basin Commission

DELAWARE • NEW JERSEY
PENNSYLVANIA • NEW YORK
UNITED STATES OF AMERICA

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

YEAR ENDED JUNE 30, 2017

**ZELENKOF SKE AXELROD LLC
Jamison, Pennsylvania**

DELAWARE RIVER BASIN COMMISSION
YEAR ENDED JUNE 30, 2017

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YEAR ENDED JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the Commissioners
Delaware River Basin Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Delaware River Basin Commission ("Commission") as of and for the year ended at June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Commission's statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of the Commission at June 30, 2017 and 2016, and the respective changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Adoptions of Governmental Accounting Standards Board Pronouncements

As described in Note 1 to the financial statements, for the year ended June 30, 2017 the Commission adopted the provisions of Governmental Accounting Standards No. 74, "*Financial Reporting for Postemployment Benefit Plans other than Pension Plans*," the provisions of Statement No. 77, "*Tax Abatement Disclosures*," the provisions of Statement No. 78, "*Pensions Provides through Certain Multiple – Employer Benefit Plans*," and the provisions of Statement No. 80, "*Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*". Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of revenues, expenditures and changes in fund balances budget and actual, schedule of commission's contributions, and schedule of commission's proportionate share of net pension liability on pages 4 through 9, 43 through 44, 45, 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The statistical section and supplemental schedules are presented for the purposes of additional analysis and are not a required part of the financial statements.

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2017 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania
December 7, 2017

DELAWARE RIVER BASIN COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDING JUNE 30, 2017

Who We Are

The Delaware River Basin Commission was formed in 1961 by compact agreement among the United States Government and the States of Delaware, New Jersey, New York and the Commonwealth of Pennsylvania (signatory parties) for the purpose of developing and implementing plans, policies and projects relating to the water resources of the Delaware River Basin. Commission programs include water quality protection, water supply allocation, regulatory review, water conservation initiatives, watershed planning, drought management, flood loss reduction and recreation.

Overview

Our discussion and analysis provides an overview of the Commission's financial activities for the fiscal year ending June 30, 2017. Please read it in conjunction with the Commission's financial statements.

Financial Highlights

- The Commission's governmental activities net position is a deficit of \$4,591,062 as of June 30, 2017, a decrease of \$1,002,787.
- The total cost of the Commission's governmental programs and projects was \$7,336,949.
- The Commission's business-type net position stands at \$19,250,411 as of June 30 2017, an increase of \$1,261,552.

Using This Annual Report

This annual report consists of a series of financial statements. The *Statement of Net Position* (p. 10) and the *Statement of Activities* (p. 11) provide information about the activities of the Commission as a whole and present a long-term view of the Commission's finances.

Fund financial statements start on page 12. These statements tell how governmental activities were financed in the short-term.

Reporting the Commission as a Whole

The Statement of Net Position and the Statement of Activities-

One of the most important questions asked about the Commission's finances is, "Is the Commission better off or worse as a result of the year's activities?" The *Statement of Net Position* and the *Statement of Activities* report information about the Commission in a way that helps answer this question. These statements include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Commission's net position and changes in them. You can think of the Commission's net position - the difference between assets and liabilities - as one way to measure the Commission's financial health, or financial position. Over time the increases or decreases in the Commission's net position are one indicator of whether its financial health is improving or deteriorating. The reader should consider other nonfinancial factors, however, such as the funding commitments of the States and Federal Government who contribute a significant portion of the funding for the Commission's governmental activities.

DELAWARE RIVER BASIN COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR FISCAL YEAR ENDING JUNE 30, 2017

All references to government-wide statements include both governmental activities and business-type activities. In the *Statement of Net Position* and the *Statement of Activities*, we divide the Commission into two kinds of activities: governmental and business-type.

- *Governmental activities*-Most of the Commission's basic services are reported here including general government and administration, Water Resource Management, Science and Water Quality Management, Water Resource Operations and special projects. The signatory parties along with project-specific grants finance most of these activities.
- *Business-type activities*-The Commission provides water storage in two federal facilities at Beltzville and Blue Marsh Lakes. The Commission has agreed to reimburse the federal government for the construction costs of these facilities. Costs associated with the operation, maintenance and debt service for these facilities as well as conservation, demand and administrative costs are reported here. The Commission has a fee structure that is applied to certain post-compact surface water users in the basin.

Reporting the Commission's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds-not the Commission as a whole. Some funds are required to be established by generally accepted accounting principles. However the Commission establishes some funds to help it control and manage money for particular purposes such as special projects or to show that it is meeting legal responsibilities for using certain grants and other money.

The Commission's two kinds of funds-governmental and proprietary-use different accounting approaches.

Governmental funds-the Commission's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Commission's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Commission's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation schedule at the bottom of the fund financial statements.

Proprietary funds-the Commission levies a fee on various entities in the basin for their consumptive and non-consumptive use of surface water. These revenues are reported in the proprietary fund. Costs associated with water storage facilities, water conservation and demand activities and related administrative activities are also reported in the proprietary fund. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact the Commission's proprietary fund is the same as the business-type activities we report in the government-wide statements but provides more detail and additional information, such as cash flows.

The Commission as a Whole

As of June 30, 2017 the net positions of the governmental and business-type activities total (\$4,591,062) and \$19,250,411 respectively. A decrease of \$1,002,787 in net position resulted from governmental activities and an increase of \$1,261,552 in net position resulted from business activities for the fiscal year ending June 30, 2017.

DELAWARE RIVER BASIN COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR FISCAL YEAR ENDING JUNE 30, 2017

Net position is classified into three categories: unrestricted, restricted and net investment in capital assets. For the year ending June 30, 2017 the government-wide investment in capital assets increased by \$315. This increase represents the difference between capitalized costs and depreciation charges during the fiscal year. Governmental Activities restricted net position stands at \$16,879, an increase of \$8,647.

Governmental Activities

For the fiscal year ending June 30, 2017, revenues, excluding inter-fund transfers, decreased by \$28,763, less than 1% from the prior fiscal year. Project Review Fees were \$833,063, a decrease of \$6,186. Annual Fee revenue was \$349,871. The Annual Fee program commenced on January 1, 2017, resulting in only six months of recognizable revenue for fiscal 2017. Signatory Contribution revenue was the same as the prior year. Revenue from Special Projects was \$263,422 less than the prior fiscal year.

The cost of all governmental activities this year was \$7,336,949. The portion of this cost that was paid by signatory contributions was \$1,933,500 with the balance of costs being funded by grants, fees, miscellaneous income and interfund transfers.

Business-Type Activities

For the fiscal year ending June 30, 2017, water sales revenues increased \$13,176, less than 1%, to \$3,495,596. Operating expenses were \$1,114,036, down \$236,915 mainly due to decreased contractual services. Net operating transfers out were \$1,860,440, down \$42,454 from fiscal 2016. Non-operating revenues (expenses) were \$740,432 up \$346,035 from fiscal 2016 due to investment gains and income. These items are responsible for net income of \$1,261,552 for the fiscal year ending June 30, 2017, \$638,580 more than fiscal 2016.

DELAWARE RIVER BASIN COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR FISCAL YEAR ENDING JUNE 30, 2017

The Commission's Funds

For the fiscal year ending June 30, 2017 the Commission's governmental funds reported a combined total of \$4,083,449 in fund balance, a decrease of \$374,865 from fiscal 2016.

The unassigned fund balance at June 30, 2017 is \$3,564,983, a decrease of \$181,938. The following table compares the components of fund balance at June 30, 2017 and June 30, 2016:

	FY17	FY16	Change
Committed for Early Retirement	\$ 300,000	\$ 300,000	\$ -
Committed for Post-Employment Benefits	16,879	8,232	(8,647)
Assigned for Vacation and Compensatory Time	113,355	150,090	36,735
Assigned for Sick Pay	53,043	83,910	30,867
Assigned to Complete Special Projects	35,189	169,161	133,972
Unassigned	<u>3,564,983</u>	<u>3,746,921</u>	<u>181,938</u>
Total Fund Balance	<u>\$ 4,083,449</u>	<u>\$ 4,458,314</u>	<u>\$ 374,865</u>

Special project revenues were \$1,213,656, \$263,422 less than fiscal 2016. The 106, water pollution control grant had revenues of \$432,401, \$437,392 less than fiscal 2016.

General Fund Budgetary Highlights

The budget for the fiscal year ending June 30, 2017 has not been amended since its original adoption. For fiscal 2017 the Commission reported a total unfavorable budget variance of \$374,865.

Notable revenue variances include an unfavorable variance of \$715,000 in federal revenue, an unfavorable variance of \$316,000 in revenue from the Commonwealth of Pennsylvania, a \$418,937 unfavorable variance in revenue from project review fees and a favorable variance of \$349,871 in annual fee revenue. Project review fees are worse than budget due to exceptional project review activity that did not occur. The annual fee program became effective January 1, 2017 and created six months of revenue in this category. Overall there is an unfavorable revenue variance of \$997,330 for fiscal 2017.

Notable expense variances include favorable personal services and fringe benefits variances of \$126,825 and \$64,229 due to delays in filling vacancies. The favorable variance of \$407,072 in special and contractual services results from the decision not to outsource certain exceptional project review activities and lower than expected legal fees. The favorable expense variance in building and grounds of \$504,344 is due to HVAC improvements that were not undertaken. Overall there is a favorable expense variance of \$1,276,357.

There is an unfavorable variance in transfers in of \$196,676. Transfers out were unfavorable by \$457,216 mainly due to the triennial closeout of the 106 grant and renovation costs of \$118,000. In total, net transfers were worse than budget by \$653,892.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2017, the Commission reported \$5,232,864 in capital assets net of depreciation. Capital assets include equipment, furniture, building, building improvements and the Commission's share of construction costs for two federal water storage facilities: Beltzville Lake and Bluemarsh Lake.

DELAWARE RIVER BASIN COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR FISCAL YEAR ENDING JUNE 30, 2017

Debt

As of June 30, 2017 the Commission had \$23,923,017 in long-term debt outstanding. This can be broken down into five categories:

- \$9,887,503 for loans due to the Army Corps of Engineers for construction of water storage facilities
- \$12,671,762 as a net pension liability plus \$610,490 in deferred inflows related to the pension liability (see footnote 7)
- \$329,232 due to the State of New Jersey for the early retirement program that was adopted September 25, 1991
- \$395,025 for employees accrued leave time
- \$29,005 for equipment leases

The Government Accounting Standards Board (GASB) has issued new statements that address accounting for other post-employment benefits (OPEB), such as retiree health insurance that will take effect during fiscal year 2018. When implemented, these statements may require the Commission to recognize the unfunded portion of its actuarially determined liability for retiree health insurance benefits. As of July 1, 2015, this liability was actuarially measured at \$4,798,519.

Economic Conditions and Outlook

Significant factors that have had and will continue to have an impact on the financial resources available to the Commission are the level of signatory party contributions, the liability for pension benefits and the liability for other post employment benefits.

Signatory party contributions represent a major source of funding for the Commission's governmental activities. The 100-year compact stipulates that the five signatory parties agree to support the Commission's annual budget. The federal government adhered to this legislative obligation for 35 years, paying its fair share of the Commission's annual operating budget.

A major issue has been the elimination of the federal signatory contribution in 1997. Since then, the federal government has provided a signatory contribution to the Commission only for the federal fiscal year ending September 30, 2009. As of June 30, 2017 the cumulative federal shortfall totals \$13.6 million. For the fiscal year ending June 30, 2017 the Commission did not receive a signatory contribution from the federal government.

The Commission continues its efforts to restore and maintain federal funding.

On December 14, 2016 the Commission adopted a comprehensive revision of its regulatory program fees, including an automatic annual indexed inflation adjustment for most fees, and an annual automatic inflation adjustment for its water supply charging rates, applicable to consumptive and non-consumptive surface water withdrawals. The new program fees will be effective January 1, 2017 and will provide a predictable annual revenue stream.

For projects subject to regulatory review by both the DRBC and a basin state, the Commission has established a One Process/One Permit program to provide administrative agreement for the issuance of a single approval instrument, incorporating the applicable requirements of the two authorities.

To implement the One Process/One Permit program, the Commission entered into administrative agreements with the States of New Jersey and New York in March 2015 and March 2016, respectively.

The Commission had entered into administrative agreements with the State of Delaware and the Commonwealth of Pennsylvania in May 2013 and August 1976 respectively, that are not under the One Process/One Permit program.

DELAWARE RIVER BASIN COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR FISCAL YEAR ENDING JUNE 30, 2017

The Commission has promulgated draft rules and regulations associated with the development of natural gas in the Basin which, if adopted, will result in additional expenditures and revenues in future years.

The factors outlined above will pose significant challenges to the Commission in future years.

Contacting the Commission

The financial report is designed to provide our customers, investors, and creditors with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Delaware River Basin Commission's Director of Finance and Administration, P.O. Box 7360, West Trenton, NJ 08628-0360.

DELAWARE RIVER BASIN COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2017
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2016)

	General Fund	Special Projects	Governmental Activities	Business-type Activities	Totals (Memorandum Only)	
					June 30, 2017	June 30, 2016
Assets:						
Cash and Cash Equivalents	\$ 2,443,382	\$ 1,254,808	\$ 3,698,190	\$ 718,473	\$ 4,416,663	\$ 5,386,692
Investments	2,001,571	-	2,001,571	23,734,357	25,735,928	24,490,573
OPEB Asset	16,879	-	16,879	-	16,879	8,232
Interest Receivable	-	-	-	-	-	-
Receivables (Net)	-	-	-	-	-	-
Due From Other Governments	315,370	135,386	450,756	-	450,756	512,032
Interfund Receivable	-	-	-	-	-	-
Interest	-	-	-	121,417	121,417	111,790
Other	-	-	-	-	-	-
Water Sales	-	-	-	855,000	855,000	839,000
Reimbursable Water Supply Storage Facility Costs	-	-	-	44,895	44,895	60,224
Other Assets	24,562	-	24,562	-	24,562	84,683
Capital Assets (net)	789,574	548,521	1,338,095	3,894,769	5,232,864	5,666,150
Total Assets	\$ 5,591,338	\$ 1,938,715	\$ 7,530,053	\$ 29,368,911	\$ 36,898,964	\$ 37,159,376
Deferred Outflows of Resources						
Differences between expected and actual experiences	235,656	-	235,656	-	235,656	214,747
Changes in pension assumptions	2,624,912	-	2,624,912	-	2,624,912	966,704
Net Difference between projected and actual investment earnings on pension plan investments	483,186	-	483,186	-	483,186	-
Changes in proportion	437,613	-	437,613	-	437,613	-
Total Deferred Outflows of Resources	\$ 3,781,367	\$ -	\$ 3,781,367	\$ -	\$ 3,781,367	\$ 1,181,451
Liabilities and Net Position:						
Accounts Payable	\$ 84,735	\$ 73,421	\$ 158,156	\$ 50,469	\$ 208,625	\$ 583,944
Interfund Payable	-	-	-	-	-	-
Accrued Interest	-	-	-	73,941	73,941	177,401
Employee Compensation and Benefits	2,735	-	2,735	-	2,735	14,708
Advances	134,640	1,301,817	1,436,457	-	1,436,457	1,773,044
Accrued Leave Time	370,403	14,956	385,359	9,666	395,025	453,531
Deferred Revenue	376,205	-	376,205	-	376,205	-
Long Term Liabilities:						
Early Retirement Program	232,311	-	232,311	96,921	329,232	388,099
Net Pension Liability	12,671,762	-	12,671,762	-	12,671,762	9,001,635
Lease Obligation	29,007	-	29,007	-	29,007	40,094
Due to US Army Corps of Engineers						
Due within one year	-	-	-	522,325	522,325	498,409
Due in more than one year	-	-	-	9,365,178	9,365,178	10,085,017
Total Liabilities	13,901,798	1,390,194	15,291,992	10,118,500	25,410,492	23,015,882
Deferred Inflows of Resources						
Difference between projected and actual investment earnings	-	-	-	-	-	144,729
Changes in Pension Proportions	610,490	-	610,490	-	610,490	779,631
Total Deferred Inflows of Resources	610,490	-	610,490	-	610,490	924,360
Net Position (Deficit)						
Net Investment in Capital Assets	760,567	548,521	1,309,088	(5,992,734)	(4,683,646)	(4,957,370)
Restricted	16,879	-	16,879	-	16,879	8,232
Unrestricted	(5,917,029)	-	(5,917,029)	25,243,145	19,326,116	19,349,722
Total Net Position	\$ (5,139,583)	\$ 548,521	\$ (4,591,062)	\$ 19,250,411	\$ 14,659,349	\$ 14,400,584

See Accompanying Notes to Financial Statements

DELAWARE RIVER BASIN COMMISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016)

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues		Net (Expense) Revenue and Change in Net Position			
			Charges for Services/Usage	Operating Grants and Contributions	Governmental Activities	Business-type Activities	June 30, 2017	June 30, 2016
Primary government:								
General government	\$ 3,394,181	\$ (1,864,391)	\$ -	\$ -	\$ (1,529,790)	\$ -	\$ (1,529,790)	\$ (837,071)
Water Resource Management	1,038,948	491,281	1,239,611	-	(290,618)	-	(290,618)	(848,730)
Science and Water Quality Management	785,545	371,456	-	-	(1,157,001)	-	(1,157,001)	(673,077)
Water Resource Operations	351,817	166,361	-	-	(518,178)	-	(518,178)	(695,488)
Special projects	1,766,458	835,293	-	1,213,656	(1,388,095)	-	(1,388,095)	(1,044,866)
Total Governmental Activities	7,336,949	-	1,239,611	1,213,656	(4,883,682)	-	(4,883,682)	(4,099,232)
Business-Type Activities:								
Water Supply Storage Facilities	1,474,321	-	3,495,596	-	-	2,021,275	2,021,275	1,761,591
Total Primary Government	\$ 8,811,270	\$ -	\$ 4,735,207	\$ 1,213,656	\$ (4,883,682)	\$ 2,021,275	\$ (2,862,407)	\$ (2,337,641)
General revenues:								
Grants and contributions not restricted to special programs					\$ 1,933,500	\$ -	\$ 1,933,500	\$ 1,933,500
Investment earnings					23,429	1,100,717	1,124,146	778,250
Miscellaneous income					63,526	-	63,526	238,687
Transfers					1,860,440	(1,860,440)	-	-
Total general revenues and transfers					3,880,895	(759,723)	3,121,172	2,950,437
Change in net position					(1,002,787)	1,261,552	258,765	612,796
Net Position-Beginning of Year					(3,588,275)	17,988,859	14,400,584	13,787,788
Cumulative Change								
Net Position-Ending of Year					\$ (4,591,062)	\$ 19,250,411	\$ 14,659,349	\$ 14,400,584

See Accompanying Notes to Financial Statements

DELAWARE RIVER BASIN COMMISSION
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2016)

	General Fund	Special Projects Fund	Totals (Memorandum Only)	
			June 30, 2017	June 30, 2016
Assets:				
Cash and Cash Equivalents	2,443,382	1,254,808	3,698,190	\$ 3,969,244
Investments	2,001,571	-	2,001,571	1,999,730
OPEB Asset	16,879	-	16,879	8,232
Accounts Receivable	315,370	135,386	450,756	512,032
Other Assets	24,562	-	24,562	84,683
Total Assets	\$ 4,801,764	\$ 1,390,194	6,191,958	\$ 6,573,921
Liabilities and Fund Balances:				
Liabilities				
Accounts Payable	\$ 84,735	73,421	158,156	\$ 192,542
Employee Compensation and Benefits	2,735	-	2,735	14,708
Advances	134,640	1,301,817	1,436,457	1,773,044
Deferred Revenue	376,205	-	376,205	-
Accrued Vacation and Sick Time	120,000	14,956	134,956	135,313
Total Liabilities	718,315	1,390,194	2,108,509	2,115,607
Fund Balances:				
Committed:				
Early Retirement	300,000	-	300,000	300,000
Retirement Benefits Fund	16,879	-	16,879	8,232
Assigned:				
Designated for Vacation and Compensatory Time	113,355	-	113,355	150,090
Designated for Sick Pay Retirement	53,043	-	53,043	83,910
Designated for Completion of Special Projects	35,189	-	35,189	169,161
Unassigned	3,564,983	-	3,564,983	3,746,921
Total Fund Balances	4,083,449	-	4,083,449	4,458,314
Total Liabilities and Fund Balances	\$ 4,801,764	\$ 1,390,194		
Total Net Position Reported for Governmental Activities in the Statement of Net Position is Different Because:				
Capital Assets used in Governmental Activities are Not Financial Resources and Therefore are Not Reported in the Funds.			1,338,095	1,337,780
Long-Term Liabilities are Not Due and Payable in the Current Period and Therefore are Not Reported in the Funds.			(511,721)	(639,825)
Difference between expected and actual experiences			235,656	-
Changes in Pension Assumptions			2,624,912	1,181,451
Changes in Proportion			437,613	-
Net Pension Liability			(12,671,762)	(9,001,635)
Difference between projected and actual investment earnings			483,186	(144,729)
Change in Pension Proportions			(610,490)	(779,631)
Total Net Position of Governmental Activities			\$ (4,591,062)	\$ (3,588,275)

See Accompanying Notes to Financial Statements

DELAWARE RIVER BASIN COMMISSION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2016)

	General Fund	Special Projects Funds	(Totals Memorandum Only)	
			June 30, 2017	June 30, 2016
Revenues				
Signatory Party Contributions:				
State of Delaware	\$ 447,000	\$ -	\$ 447,000	\$ 447,000
State of New Jersey	693,000	-	693,000	694,505
State of New York	359,500	-	359,500	359,500
Commonwealth of Pennsylvania	434,000	118,372	552,372	548,320
Federal Government United States	-	432,401	432,401	869,793
Sale of Publications	1,726	-	1,726	2,707
Annual Fees	349,871	-	349,871	
Project Review Fees	833,063	-	833,063	839,249
Investment Income	23,429	0	23,429	13,975
Fines, Assessments and Other Income	118,481	662,883	781,364	727,441
Total Revenues	3,260,070	1,213,656	4,473,726	4,502,490
Expenditures:				
Personnel Services	2,690,575	390,120	3,080,695	2,961,430
Special and Contractual Services	65,728	1,061,342	1,127,070	1,023,993
Other Services	160,880	97	160,977	168,348
Supplies and Materials	68,796	18,708	87,504	58,183
Buildings and Grounds	191,056	113,568	304,624	236,561
Communications	30,606	8,997	39,603	34,748
Travel	47,362	3,793	51,155	59,165
Maintenance, Replacements, Acquisitions and Rentals	51,569	12,368	63,937	199,693
Fringe Benefits and Other Contributions	1,566,171	227,295	1,793,466	1,717,912
Total Expenditures	4,872,743	1,836,288	6,709,031	6,460,033
Excess of Expenditures Over Revenues	(1,612,673)	(622,632)	(2,235,305)	(1,957,543)
Other Financing Sources (Uses):				
Operating Transfers In	2,058,024	884,251	2,942,275	2,793,991
Operating Transfers (Out)	(820,216)	(261,619)	(1,081,835)	(891,097)
Total Other Financing Sources - Net	1,237,808	622,632	1,860,440	1,902,894
Net Change in Fund Balances	(374,865)	-	(374,865)	(54,649)
Fund Balances-Beginning of Year	4,458,314	-	4,458,314	4,512,963
Fund Balances-End of Year	\$ 4,083,449	\$ -	\$ 4,083,449	\$ 4,458,314

See Accompanying Notes to Financial Statements

DELAWARE RIVER BASIN COMMISSION
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Net Change in Fund Balances - Governmental Funds	\$ (374,865)	\$ (54,649)
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is amortized over their estimated useful lives and reported as depreciation expense. This is the amount by which purchases of capital assets of \$163,928 exceeds depreciation \$163,613 in the current period.	315	71,694
Repayments on a capital lease liability that are not reported in the Statement of Activities	11,089	-
Repayment of compensated absences is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.	58,506	(1,748)
Repayment of the liability for early retirement is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.	58,867	51,152
Change in Pension Expense	<u>(756,699)</u>	<u>(76,625)</u>
Changes in Net Position of Governmental Activities	<u>\$ (1,002,787)</u>	<u>\$ (10,176)</u>

DELAWARE RIVER BASIN COMMISSION
 PROPRIETARY FUND
 STATEMENT OF NET POSITION
 JUNE 30, 2017
 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2016)

	Business-Type		Totals (Memorandum Only)
	Activities		
	<u>Enterprise Funds</u>	June 30	
	<u>Water Supply Storage Facilities</u>	2017	
		June 30,	
		<u>2016</u>	
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 718,473	\$ 718,473	\$ 1,417,448
Investments	23,734,357	23,734,357	22,490,843
Other Interest Receivables	121,417	121,417	111,790
Water Sales Receivables (Net)	855,000	855,000	839,000
Reimbursable Water Supply Storage Facility Costs	44,895	44,895	60,224
Total Current Assets	<u>25,474,142</u>	<u>25,474,142</u>	<u>24,919,305</u>
Non Current Assets:			
Land, Building and Improvements (Net)	3,886,927	3,886,927	4,308,414
Furniture and Equipment (Net)	7,842	7,842	19,956
Total Non Current Assets	<u>3,894,769</u>	<u>3,894,769</u>	<u>4,328,370</u>
Total Assets	<u>\$ 29,368,911</u>	<u>\$ 29,368,911</u>	<u>\$ 29,247,675</u>
Liabilities and Net Position			
Liabilities:			
Current Liabilities:			
Accounts Payable	\$ 50,469	\$ 50,469	\$ 391,402
Interfund Payable	-	-	-
Accrued Interest	73,941	73,941	177,401
Due To US Army Corps of Engineers	522,325	522,325	498,409
Total Current Liabilities	<u>646,735</u>	<u>646,735</u>	<u>1,067,212</u>
Non Current Liabilities:			
Accrued Vacation and Sick Time	9,666	9,666	9,666
Early Retirement Program	96,921	96,921	96,921
Due To US Army Corps of Engineers	9,365,178	9,365,178	10,085,017
Total Non Current Liabilities	<u>9,471,765</u>	<u>9,471,765</u>	<u>10,191,604</u>
Total Liabilities	<u>10,118,500</u>	<u>10,118,500</u>	<u>11,258,816</u>
Net Position			
Net Investment in Capital Assets	(5,992,734)	(5,992,734)	(6,255,056)
Unrestricted	25,243,145	25,243,145	24,243,915
Total Net Position	<u>19,250,411</u>	<u>19,250,411</u>	<u>17,988,859</u>
Total Liabilities and Net Position	<u>\$ 29,368,911</u>	<u>\$ 29,368,911</u>	<u>\$ 29,247,675</u>

See Accompanying Notes to Financial Statements

DELAWARE RIVER BASIN COMMISSION
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 YEAR ENDED JUNE 30, 2017
 (WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2016)

	Business-Type Activities	Totals	
	Enterprise Funds	(Memorandum Only)	
	Water Supply Storage Facility	June 30, 2017	June 30, 2016
Operating Revenue:			
Charges for Services:			
Water Sales	\$ 3,495,596	\$ 3,495,596	\$ 3,482,420
Total Operating Revenue	<u>3,495,596</u>	<u>3,495,596</u>	<u>3,482,420</u>
Operating Expenses:			
Special and Contractual Services	675,288	675,288	903,265
Legal Expense	-	-	-
Depreciation	438,748	438,748	447,686
Total Operating Expenses	<u>1,114,036</u>	<u>1,114,036</u>	<u>1,350,951</u>
Operating Income:	<u>2,381,560</u>	<u>2,381,560</u>	<u>2,131,469</u>
Nonoperating Revenues (Expenses):			
Interest Income	543,891	543,891	532,767
Realized Gain on Sales of Investments	310,553	310,553	(205,290)
Net Increase in Fair Value of Investments	246,273	246,273	436,798
Interest Expense	(360,285)	(360,285)	(369,878)
Total Nonoperating Revenues	<u>740,432</u>	<u>740,432</u>	<u>394,397</u>
Net Income Before Operating Transfers	3,121,992	3,121,992	2,525,866
Net Operating Transfers (Out)	(1,860,440)	(1,860,440)	(1,902,894)
Change in Net Position	1,261,552	1,261,552	622,972
Total Net Position - Beginning of Year	<u>17,988,859</u>	<u>17,988,859</u>	<u>17,365,887</u>
Total Net Position - End of Year	<u>\$ 19,250,411</u>	<u>\$ 19,250,411</u>	<u>\$ 17,988,859</u>

See Accompanying Notes to Financial Statements

DELAWARE RIVER BASIN COMMISSION
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 FOR YEAR ENDED JUNE 30, 2017
 (WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2016)

	Business-Type Activities	Totals	
	Enterprise Funds Water Supply Storage Facilities	June 30, 2017	June 30, 2016
Cash Flows From Operating Activities:			
Cash Received from Water Users	\$ 3,479,596	\$ 3,479,596	\$ 3,482,070
Payments to Vendors and Suppliers	(1,016,222)	(1,016,222)	(606,350)
Net Cash Provided from Operations	<u>2,463,374</u>	<u>2,463,374</u>	<u>2,875,720</u>
Cash Flows From Financing Activities:			
Operating Transfers to Other Funds	(1,860,440)	(1,860,440)	(1,902,894)
Net Cash Used in Noncapital and Related Financing Activities	<u>(1,860,440)</u>	<u>(1,860,440)</u>	<u>(1,902,894)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(5,147)	(5,147)	-
Interest Paid	(463,744)	(463,744)	(369,379)
Principal Received	15,330	15,330	-
Internal Balances	-	-	-
Principal Paid	(695,923)	(695,923)	(481,971)
Net Cash Used in Capital and Related Financing Activities	<u>(1,149,484)</u>	<u>(1,149,484)</u>	<u>(851,350)</u>
Cash Flows from Investing Activities:			
Interest Received	534,264	534,264	542,841
Sale (Purchase) of Investments, Net	(686,689)	(686,689)	(1,100,931)
Net Cash Used in Investing Activities	<u>(152,425)</u>	<u>(152,425)</u>	<u>(558,090)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(698,975)	(698,975)	(436,614)
Cash and Cash Equivalents-Beginning of Year	1,417,448	1,417,448	1,854,062
Cash and Cash Equivalents-End of Year	<u>\$ 718,473</u>	<u>\$ 718,473</u>	<u>\$ 1,417,448</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income	\$ 2,381,560	\$ 2,381,560	\$ 2,131,469
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and Net Amortization	438,748	438,748	447,686
Changes in Operating Assets and Liabilities:			
Decrease (Increase) in Accounts Receivable	(16,000)	(16,000)	14,816
Increase in Water Sales Receivable	-	-	(360)
Increase in Accounts Payable	-	-	291,402
(Decrease) in Accounts Payable	(340,934)	(340,934)	(9,293)
Total Adjustments	<u>81,814</u>	<u>81,814</u>	<u>744,251</u>
Net Cash Provided by Operating Activities	<u>\$ 2,463,374</u>	<u>\$ 2,463,374</u>	<u>\$ 2,875,720</u>

See Accompanying Notes to Financial Statements

DELAWARE RIVER BASIN COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity

The Delaware River Basin Commission (the "Commission") was formed in 1961 by agreement among the U.S. Government and the States of Delaware, New Jersey, New York, and the Commonwealth of Pennsylvania, for the purpose of developing and implementing plans, policies, and projects relating to the water resources of the Delaware River Basin.

The accompanying financial statements of the Delaware River Basin Commission have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). In June 1999 the GASB issued Statement 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement established new financial reporting requirements for state and local governmental entities throughout the United States. They require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in prior years is affected.

The Commission has implemented these standards for the fiscal year ending June 30, 2004 and future periods. With the implementation of GASB Statement 34, the Commission has prepared required supplementary information titled *Management's Discussion and Analysis*, which precedes the basic financial statements.

The accompanying financial statements present the financial position of the Commission, the results of operations of the Commission and the various funds and fund types, and the cash flows of the proprietary funds. The financial statements are presented as of June 30, 2017 for the year then ended.

A) Reporting Entity

Government accounting principles require the financial reporting entity to include the primary government, organizations for which the primary government is financially accountable and other organizations, for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on these criteria, the Commission has no component units and the reporting entity is composed solely of the primary government.

B) Government-Wide and Fund Financial Statements

The Government-wide financial statements (i.e., statement of net position, and the statement of activities) report information on all the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by signatory and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

DELAWARE RIVER BASIN COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Entity (Continued)

B) Government-Wide and Fund Financial Statements (Continued)

The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are financed by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Signatory revenues and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and the proprietary fund. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within 365 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred except debt service and net pension liability, as under accrual accounting. Signatory revenues, operating grants, capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when the Commission receives cash.

DELAWARE RIVER BASIN COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Commission reports the following governmental funds:

- The General Fund is the primary government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues of this fund are primarily derived from signatory revenues, state and federal grants, fees for services. Many of the basic activities of the Commission are accounted for in this fund, including the daily operations of the Commission.
- The Special Projects Fund is used to account for specific revenue sources related to the provisions imposed by outside agencies or the Commission for services that are restricted to expenditures for those specified purposes.
- The Commission's Enterprise Fund is a proprietary fund. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

DELAWARE RIVER BASIN COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than an expense.

Private-sector standards of accounting and financial reporting issued prior to December 31, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Based on the accounting and reporting standards set forth in GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Commission has opted to apply only the accounting and reporting pronouncements issued by the Financial Accounting Standards Board (FASB) on or before November 30, 1989 for business-type activities and enterprise funds.

The Commission reports the following major proprietary fund:

- The Water Supply Storage Facilities Fund is used to account for the operations of the Water Storage Facility that is financed and operated in a manner similar to private business enterprises-where the intent of the governing body is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges and cost reimbursement plans.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use unrestricted resources first, then restricted resources as they are needed for their intended purposes.

D) Assets, Liabilities, and Net Position

1. Cash and Cash Equivalents

For purposes of the accompanying statement of cash flows, the Commission considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

DELAWARE RIVER BASIN COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D) Assets, Liabilities, and Net Position (Continued)

2. Receivables and Payables

• Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "inter-fund receivable/payable."

3. Investments

Investments are reported at fair value based on quoted market prices.

4. Capital Assets

Capital assets, which include property, plant and equipment and infrastructure assets, are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Property, plant and equipment and infrastructure with initial, individual costs that equal or exceed \$500 and estimated useful lives of over one year are recorded as capital assets. Capital assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlay of capital assets and improvements are capitalized as projects are completed. Interest incurred during the construction phase of the capital asset of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government are depreciated using the straight line method over the following intended useful lives:

<u>Asset</u>	<u>Years</u>
Buildings and Improvements	40 to 60
Machinery and Equipment	3 to 20
Water Supply Storage Facilities	50

5. Allowance for Doubtful Accounts

Accounts receivable have been reported net of allowance for doubtful accounts.

DELAWARE RIVER BASIN COMMISSION
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D) Assets, Liabilities, and Net Position (Continued)

6. Accrued Vacation and Sick Time

The Commission had a liability of \$395,025 representing vacation and sick time earned by employees as of June 30, 2017. Of this amount, \$385,359 is reported as a liability of Governmental activities and \$9,666 is shown as a liability of Business-type activities. In the government funds – balance sheet, liabilities of \$120,000 and \$14,956 were reflected in the General Fund and Special Projects Fund, respectively. There is also designated fund balance of \$166,398 for paid leave in the General Fund. In the Proprietary Fund Type Statements of Net Position, a liability of \$9,666 is reflected for its portion of accrued vacation and sick time.

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

8. Advances

Advances reported in government-wide financial statements represent unearned revenues. The advances will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Advances reported in governmental fund financial statements represent unearned revenues or revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as advances. The Commission deems revenue received within 365 days of the year end to be available.

9. Net Position/Fund Balances

The government-wide and business-type activities fund financial statements utilize a net position presentation, classified as follows:

- *Net Investment in Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net position of the Commission, not restricted for any project or other purpose.

DELAWARE RIVER BASIN COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D) Assets, Liabilities, and Net Position (Continued)

9. Net Position/Fund Balances (Continued)

The Commission has established a policy of classifying fund balances in accordance with GASB #54 as follows:

- Committed Fund Balance – amounts constrained to specific purposes by the Commission itself, using the highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the Commission takes the highest level action to remove or change the constraint. Presently amounts are committed for early retirement and post-employment health insurance that are actuarially determined.
- Assigned Fund Balance – amounts the Commission intends to use for a specific purpose. Presently amounts are assigned for sick and vacation compensation and for completion of special projects.
- Unassigned Fund Balance – amounts that are available for any purpose. These amounts are reported only in the general fund.

The management of the Commission has the authority to express intended use of resources in the assignment of fund balance, whereas a Commission resolution is required to express intended use of resources that results in a commitment of fund balance.

10. Interfund Transactions

Quasi external transactions are accounted for as revenue, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi external transactions and reimbursements, are recorded as transfers.

11. Deferred Inflows/Outflows of Resources

The Statements of Net Position report separate sections for deferred outflows and deferred inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources (expense/revenue) until then. The Commission has one item that qualifies for reporting in these categories: deferred outflows and inflows related to pensions.

DELAWARE RIVER BASIN COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D) Assets, Liabilities, and Net Position (Continued)

11. Deferred Inflows/Outflows of Resources (Continued)

Deferred outflows and inflows of resources related to pensions are described further in Note 7. The components of deferred outflows of resources are amortized into pension expense over a 6.44 year closed period, which reflects the weighted average remaining service life of all State of New Jersey Public Employees' Retirement System (PERS) members beginning the year in which the deferred amount occurs (current year). The components of deferred inflows, are amortized over a five-year closed period beginning the year in which the difference occurs (current year).

12. Pensions

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

13. Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimated.

14. Adoption of Governmental Accounting Standards Board (GASB) Statements

The Commission adopted the provisions of GASB's Statement No. 74, "Financial Reporting for Postemployment Benefit Plans other than Pension Plans."

The Commission adopted the provisions of GASB's Statement No. 77, "Tax Abatement Disclosures."

The Commission adopted the provisions of GASB's Statement No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans."

The Commission adopted the provisions of GASB's Statement No. 80, "Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14."

The adoption of these standards had no effect on previously reported amounts.

DELAWARE RIVER BASIN COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D) Assets, Liabilities, and Net Position (Continued)

15. Pending Governmental Accounting Standards Board (GASB) Statements

The Government Accounting Standards Board has issued GASB's Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." This statement is required to be adopted by the Commission for the year ending June 30, 2018. The Commission has not determined the effect of GASB's Statement No. 75 on the financial statements.

The Government Accounting Standards Board has issued GASB's Statement No. 81, "Irrevocable Split-Interest Agreements" This statement is required to be adopted by the Commission for the year ending June 30, 2018. The Commission has not determined the effect of GASB's Statement No. 81 on the financial statements.

The Government Accounting Standards Board has issued GASB's Statement No. 82, "Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73" This statement is required to be adopted by the Commission for the year ending June 30, 2018. The Commission has not determined the effect of GASB's Statement No. 82 on the financial statements.

In November of 2016, the Government Accounting Standards Board issued statement No. 83 "Certain Asset Retirement Obligations". The Commission is required to adopt Statement No. 83 for its fiscal year 2019 financial statements.

In January 2017, the Government Accounting Standards Board issued statement No. 84 "Fiduciary Activities". The Commission is required to adopt Statement No. 84 for its fiscal year 2019 financial statements.

In March 2017, the Government Accounting Standards Board issued Statement No. 85, "Omnibus 2017". The Commission is required to adopt Statement No. 85 for its fiscal year 2019 financial statements.

In May 2017, the Government Accounting Standards Board issued statement No. 86 "Certain Debt Extinguishment Issues". The Commission is required to adopt Statement No. 86 for its fiscal year 2018 financial statements.

In June 2017, the Government Accounting Standards Board issued statement No. 87, "Leases". The Commission is required to adopt Statement No. 87 for its fiscal year 2021 financial statements.

The Commission has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

DELAWARE RIVER BASIN COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 2: BUDGETS

The Commission's funds are under formal budgetary control as required by management of the Commission. The budget reflected in the financial statements was prepared generally on the same basis used to account for actual results and consists of those amounts contained in the formal budget, as approved and amended by the Delaware River Basin Board of Commissioners.

NOTE 3: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Commission has a written investment policy for the General Fund, Special Projects Fund and the Water Supply Storage Facilities Fund and Integral Part Trust (for OPEBs). The policy provides guidance on the scope, general objectives, standards of care, safekeeping and custody, suitable and authorized investments, investment parameters, reporting and policy considerations, prohibited types of transactions and collateralization.

The policy provides for the General and Special Projects Funds the following authorized investments:

- A) U.S. government obligations, U.S. government agency obligations, and U.S. government instrumentality obligations, which have a liquid market with a readily determinable market value;
- B) Certificates of deposit and other evidences of deposit at financial institutions, bankers' acceptances, and commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1 or D-1).
- C) Investment grade obligations of the Compact Signatories;
- D) Local government investment pools, either state administered or administered through joint power statutes and other intergovernmental agreement legislation.

The policy provides for the Water Supply Storage Facilities Fund that the target asset allocation will be 30% (+/-5%) allocated to equities and 70% (+/-5%) to fixed income securities and money market investments and that the portfolio should be rebalanced to fall within the investment target at a minimum of every six (6) months.

Additionally, the Commissioners have authorized the Executive Director to utilize the services of professional asset managers. The Commission has retained the firms of Sterling Advisors and Wilmington Trust Investment Management, LLC. These firms are currently managing the assets of the Water Supply Storage Facilities Fund that are in the Commission's name and in the custody of Susquehanna Trust & Investment Company and Wilmington Trust Company respectively, consistent with the Commission's investment policy.

DELAWARE RIVER BASIN COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 3: CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

The following table shows the cash and investments of the Commission as of June 30, 2017 at fair market value:

	General Fund	Special Projects Fund	Water Supply Storage Facilities Fund	Totals
Cash and Cash Equivalents:				
Cash on Hand	\$ 400	\$ -	\$ -	\$ 400
Cash - Wells Fargo Bank	204,693	210,246	274,687	689,626
Cash Equivalents - New Jersey Cash Management Fund	2,238,289	1,044,562	6,303	3,289,154
Cash Equivalents - Susquehanna Trust & Investment Company	-	-	241,166	241,166
Cash Equivalents - Wilmington Trust Company	-	-	196,317	196,317
	<u>\$ 2,443,382</u>	<u>\$ 1,254,808</u>	<u>\$ 718,473</u>	<u>\$ 4,416,663</u>
Investments:				
Federal Obligations - Wells Fargo Investments	\$ 2,001,571	\$ -	\$ -	\$ 2,001,571
Federal Obligations - Branch Bank & Trust Company	-	-	-	-
Corporate Obligations - Branch Bank & Trust Company	-	-	6,458,648	6,458,648
Municipal Obligations - Branch Bank & Trust Company	-	-	1,325,696	1,325,696
Equities - Branch Bank & Trust Company	-	-	3,929,302	3,929,302
	<u>-</u>	<u>-</u>	<u>11,713,646</u>	<u>11,713,646</u>
Subtotal Branch Bank & Trust Company	-	-	11,713,646	11,713,646
Federal Obligations - Wilmington Trust Company	-	-	4,383,030	4,383,030
Corporate Obligations - Wilmington Trust Company	-	-	3,594,405	3,594,405
Equities - Wilmington Trust Company	-	-	4,043,276	4,043,276
	<u>-</u>	<u>-</u>	<u>12,020,711</u>	<u>12,020,711</u>
Subtotal Wilmington Trust Company	-	-	12,020,711	12,020,711
Total Investments	<u>2,001,571</u>	<u>-</u>	<u>23,734,357</u>	<u>25,735,928</u>
Total Cash, Cash Equivalents and Investments	<u>\$ 4,444,953</u>	<u>\$ 1,254,808</u>	<u>\$ 24,452,830</u>	<u>\$ 30,152,591</u>

Cash held at Wells Fargo Bank was in the name of the Commission and secured by a tri-party collateralization agreement. The collateral is held by the Bank of New York and is not in the Commission's name.

The New Jersey Cash Management Fund is a pooled fund managed by the State of New Jersey, and is neither insured by a third party or collateralized.

Branch Bank & Trust Company cash equivalents are invested in a short-term Federal Government obligations fund.

Wilmington Trust Company cash equivalents are invested in a short-term fund comprised of both federal and corporate securities of the highest rating.

DELAWARE RIVER BASIN COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 3: CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

The following table shows the fair value of federal, state, municipal and corporate obligations held by maturity range of June 30, 2017:

	Municipal Obligations	Corporate Obligations	Federal Obligations	Total
Maturity:				
Less than 1 year	\$ -	\$ 978,225	\$ 639,837	\$ 1,618,062
1 to 5 years	1,325,696	6,184,366	4,295,151	11,805,213
5 to 10 years	-	2,890,462	1,449,613	4,340,075
10 to 15 years	-	-	-	-
Totals	<u>\$ 1,325,696</u>	<u>\$ 10,053,053</u>	<u>\$ 6,384,601</u>	<u>\$ 17,763,350</u>

The following table displays the fair value of corporate obligations, by Standard & Poor rating as of June 30, 2017:

Corporate Obligations	
A1	\$ 1,381,869
A2	1,333,548
A3	2,243,662
AAA	39,380
AA2	433,096
AA3	253,750
BAA1	2,098,202
BAA2	1,332,460
BAA3	688,488
Ba2	<u>248,598</u>
Totals	<u>\$ 10,053,053</u>

Equity Investments held by Branch Bank & Trust Company (for the Commission's account with Sterling Advisors), Wilmington Trust Company (for the Commission's account with Wilmington Trust Investment Management Company, LLC) and ICMA RC are unsecured and subject to market risk.

DELAWARE RIVER BASIN COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 3: CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Investment Interest Rate Risks – Interest rate risk is the risk that the value of the Commission's Investments in debt obligations will decline due to changes in interest rates. The Commission's investment policy seeks to minimize interest rate risk by:

- a) Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- b) Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investments pools.

Custodial Credit Risk – Deposits are exposed to custodial credit risk if they are not covered by depositary insurance and the deposits are uncollateralized. The Commission's investment policy seeks to minimize custodial credit risk by:

- a) Limiting investments to the safest types of securities.
- b) Pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisers with which the Commission will do business.
- c) Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

The Commission maintains several bank accounts at Wells Fargo Bank. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Additionally, these accounts are secured by a \$2,000,000 tri-party collateralization agreement. At no time during the year did the combined total of all bank accounts held at Wells Fargo Bank exceed the sum total of the FDIC insurance required collateralization.

In addition, as noted above, deposits with Wells Fargo Bank are secured by a tri-party collateral agreement.

Concentration of Credit Risk – The Commission's investment policy seeks to limit the concentration of credit risk through diversification by:

- a) Limiting investments to avoid over-concentration in securities from a specific issuer (excluding U.S. Treasury securities).
- b) Limiting investment in securities that have high credit risks.

As of June 30, 2017, the Commission does not have an investment in any one issuer that represents 5% or more of its net assets, excluding investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds, external investment pool and other pooled investments.

DELAWARE RIVER BASIN COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 4: CAPITAL ASSETS

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 1	\$ -	\$ -	\$ 1
Total Capital Assets Not Being Depreciated:	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>
Capital Assets Being Depreciated:				
Building & Improvements	\$ 2,278,836	\$ 123,458	\$ -	\$ 2,402,294
Furniture & Equipment	1,467,909	40,470	-	1,508,379
Total Capital Assets Being Depreciated	3,746,745	163,928	-	3,910,673
Less: Accumulated Depreciation for:				
Building & Improvements	(1,237,675)	(64,058)	-	(1,301,733)
Furniture & Equipment	(1,171,291)	(99,555)	-	(1,270,846)
Total Accumulated Depreciation	<u>(2,408,966)</u>	<u>(163,613)</u>	<u>-</u>	<u>(2,572,579)</u>
Total Capital Assets Being Depreciated, Net	<u>1,337,779</u>	<u>315</u>	<u>-</u>	<u>1,338,094</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,337,780</u>	<u>\$ 315</u>	<u>\$ -</u>	<u>\$ 1,338,095</u>
Water Supply Storage Facilities:				
Capital Assets Being Depreciated:				
Water Supply Storage Facilities	\$ 21,074,316	\$ -	\$ -	\$ 21,074,316
Furniture & Equipment	147,868	5,147	-	153,015
Total Capital Assets Being Depreciated	21,222,184	5,147	-	21,227,331
Less: Accumulated Depreciation for:				
Water Supply Storage Facilities	(16,765,902)	(421,487)	-	(17,187,389)
Furniture & Equipment	(127,912)	(17,262)	-	(145,174)
Total Accumulated Depreciation	<u>(16,893,814)</u>	<u>(438,749)</u>	<u>-</u>	<u>(17,332,563)</u>
Business-Type Capital Assets Being Depreciated Net	<u>\$ 4,328,370</u>	<u>\$ (433,602)</u>	<u>\$ -</u>	<u>\$ 3,894,768</u>

Depreciation expense was charged to functions/programs of the Commission as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
General Government	\$ 2,155,490	\$ 114,464	\$ -	\$ 2,269,954
Special Projects	253,476	49,149	-	302,625
Total Depreciation Expense - Governmental Activities	<u>2,408,966</u>	<u>163,613</u>	<u>-</u>	<u>2,572,579</u>
Business-Type Activities:				
Water Supply Storage Facilities	16,893,814	438,749	-	17,332,563
Total Depreciation Expense - Business-Type Activities	<u>\$ 16,893,814</u>	<u>\$ 438,749</u>	<u>\$ -</u>	<u>\$ 17,332,563</u>

DELAWARE RIVER BASIN COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 5: REIMBURSABLE WATER SUPPLY STORAGE FACILITY COSTS

The financial statements reflect a receivable from Western Berks Water Authority for construction costs financed by the Commission for a specific outlet pipe in the Blue Marsh Water Supply Storage Project. Principal and interest payments are due quarterly in the amount of \$4,353.80 in January, April, July, and October at an interest rate of 3.463%. Repayment terms as of June 30, 2017, require the following principal and interest payments:

Fiscal Years Ending June 30	Principal	Interest	Total
2018	\$ 15,861	\$ 1,554	\$ 17,415
2019	16,410	1,005	17,415
2020	12,624	438	13,062
Total	\$ 44,895	\$ 2,997	\$ 47,892

NOTE 6: LONG-TERM LIABILITIES

Amount Due to U.S. Army Corps of Engineers

The Commission has agreed to reimburse the U.S. Army Corps of Engineers for costs related to the construction of the water supply storage facilities at the Beltzville and Blue Marsh Water Supply Storage projects. Repayment of the Beltzville project's cost requires annual payments of \$253,499 continuing through 2030. Repayment of the Blue Marsh Project requires annual payments of \$607,643 through 2028, and thereafter \$309,118 annually through 2038. These payments include interest at an average rate of approximately 3%. Interest expense is recognized over the terms of the obligations. The Commission is responsible for a yearly pro rata share of operational, maintenance, and replacement costs of these projects. Interest expense for the year ended June 30, 2017 was \$360,285. Water sales revenue and interest income are used to pay operating expenses and debt service.

DELAWARE RIVER BASIN COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

A summary of changes in long-term liability obligations is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Other Liabilities					
Compensated Absences	\$ 443,865	\$ -	\$ (58,506)	\$ 385,359	\$ 134,956
Early Retirement	291,178	-	(58,867)	232,311	92,821
Total Other Liabilities	735,043	-	(117,373)	617,670	227,777
Governmental Activities Long-Term Liabilities	\$ 735,043	\$ -	\$ (117,373)	\$ 617,670	\$ 227,777
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Business-Type Activities:					
Bonds and Notes Payable:					
Due to Army Corps of Engineers	\$ 10,583,426	\$ -	\$ (695,923)	\$ 9,887,503	\$ 522,325
Total Bonds and Notes Payable	10,583,426	-	(695,923)	9,887,503	522,325
Other Liabilities:					
Compensated Absences	9,666	-	-	9,666	-
Early Retirement	96,921	-	-	96,921	-
Total Other Liabilities	106,587	-	-	106,587	-
Business-Type Activities Long-Term Liabilities	\$ 10,690,013	\$ -	\$ (695,923)	\$ 9,994,090	\$ 522,325

An analysis of debt service requirements to maturity on the Bonds and Notes Payable is as follows:

Fiscal Years Ending June 30	Principal Requirements	Interest Requirements	Total Debt Service Requirements
2018	\$ 522,325	\$ 338,818	\$ 861,143
2019	540,146	320,996	861,142
2020	558,577	302,565	861,142
2021	577,638	283,504	861,142
2022	597,349	263,793	861,142
2023 - 2027	3,306,829	998,882	4,305,711
2028 - 2032	2,137,597	466,992	2,604,589
2033 - 2037	1,348,384	197,205	1,545,589
2038	298,658	10,459	309,117
	\$ 9,887,503	\$ 3,183,214	\$ 13,070,717

DELAWARE RIVER BASIN COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 7: EMPLOYEE RETIREMENT PLAN

General Information about the Pension Plan

The Commission participates in the State of New Jersey Public Employees' Retirement System (PERS), a cost-sharing, multi-employer, contributory, defined-benefit plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

Pension vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits described in note 8.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007.
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008.
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010.
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011.
5	Members who were eligible to enroll on or after June 28, 2011.

The contribution policy is set by N.J.S.A.43:15A, Chapter 62, P.L. 1994, and Chapter 115, P.L. 1997, and requires contributions by active members and contributing employers. Plan members and employer contributions may be amended by State of New Jersey legislation.

During the fiscal year ending June 30, 2017, members contributed at a uniform rate of 7.06% of base salary; Member contributions will continue to increase each year on July 1 until the final increase on July 1, 2018 when a contribution rate of 7.5% is reached.

Employer contributions are actuarially determined by PERS. The Commission's contribution requirements for the years ended June 30, 2017, 2016, and 2015 were \$380,098, \$344,752 and \$355,637.

Contact information for PERS is as follows:

State of New Jersey
Department of the Treasury
Division of Pensions & Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
(609) 292-7524

DELAWARE RIVER BASIN COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 7: EMPLOYEE RETIREMENT PLAN (CONTINUED)

Benefits Provided

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching the age of 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age of their respective tier.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the fiscal year ending June 30, 2015 the Commission implemented Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68). GASB 68 requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to member contributions. The employer allocation percentages are based on the ratio of the Commission's contributions as an individual employer to total contributions to the PERS during the measurement period July 1, 2015 through June 30, 2016.

At June 30, 2017, the Commission reported a liability of \$12,671,762 for its proportionate share of the net pension liability. The net liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date and rolled forward to June 30, 2016. The Commission's proportion of the net pension liability was based on the ratio of the Commission's contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2016 and 2015. At June 30, 2016 the Commission's proportion was .0427852444%, which was a decrease of .0026852971% from the previous year. At June 30, 2017, the Commission reported deferred outflows of pension resources of \$2,624,912 from changes in assumptions, \$483,186 in net difference between projected and actual investment earnings, \$437,613 from changes in proportions and \$235,656 of differences between expected and actual experience that will be amortized over 6.44 years. Deferred inflows of \$610,490 were reported and changes in proportion will be amortized over 5 years.

DELAWARE RIVER BASIN COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 7: EMPLOYEE RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2017. The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	3.08%
Salary increases:	
Through 2026	1.65 - 4.15% based on age
Thereafter	2.65 - 5.15% based on age
Investment rate of return	7.65%

Mortality rates were based on the RP-2000 Employee Preretirement Mortality Tables (setback 4 years for males and females) with adjustments for mortality improvements from the base year of 2013 Combined MP-2014 projection scale.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

Long-Term Expected Rate of Return

In accordance with the New Jersey State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the NJ Directors of the Division of Investments and NJ Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
US. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Countries	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

DELAWARE RIVER BASIN COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 7: EMPLOYEE RETIREMENT PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 3.98% and 4.90% as of June 30, 2016 and 2015 respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% and 3.80% as of June 30, 2016 and 2015 respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on these assumptions, the plan's fiduciary net position was projected to be available to make future benefit payments through 2034. Therefore the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following represents the Commission's pro-rata share of the net pension liability as of June 30, 2016 and 2015 respectively, calculated using the discount rate described above as well as what the pro-rata share of the net pension liability would be if it was calculated using a discount rate that is 1 percentage point lower, or 1 percentage point higher than the current rate:

	<u>At 1% decrease</u> <u>(2.98%)</u>	<u>At Current</u> <u>Discount Rate</u> <u>(3.98%)</u>	<u>At 1% Increase</u> <u>(4.98%)</u>
June 30, 2016	\$ 12,545,044	\$ 12,671,762	\$ 12,798,480
June 30, 2015	\$ 8,911,619	\$ 9,001,635	\$ 9,091,651

NOTE 8: RETIREMENT HEALTH CARE BENEFITS

In addition to the pension benefits described in Note 7, the Commission provides retirement health care benefits in accordance with its policies and procedures to all employees with 25 or more years of service in PERS who retire from the Commission, employees who attain the age of 62 with 15 years of service and employees who retire on disability pensions. On July 20, 2005, the Commission adopted provisions of N.J.S.A.52:14-17.38 (Resolution 2005-14) under which public employers may agree to pay for State Health Benefit Programs coverage of certain retirees. Consistent with this provision, the Commission established classes of employees whose benefits will vary based on date of hire and years of credited service in PERS, as well as with the Commission. The adoption of these new provisions will have no impact on the benefits provided to retirees currently receiving said benefits or employees who earned benefits as provided for under the former rules prior to January 1, 2006.

On June 28, 2011, New Jersey Chapter 78, P.L. 2011 became effective. The law had no material effect on retirement health care benefits in the current year but impacted subsequent years, requiring employees to fund a portion of their health insurance premiums.

DELAWARE RIVER BASIN COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 8: RETIREMENT HEALTH CARE BENEFITS (CONTINUED)

In August 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45 (GASB 45) requiring full disclosure of present and future costs relating to other post-employment benefits (OPEB) in the Commission's financial statements starting with the fiscal year ending June 30, 2010. The retirement health care benefits the Commission provides are within the scope of GASB 45.

In July 2008 the Commission adopted a resolution for the minutes authorizing the procurement of actuarial services for the purpose of evaluating the cost of retirement health benefits of present and future retirees. Brown & Brown Consulting was hired to perform these services and in September 2008, issued the first actuarial valuation for the Commission's retiree health benefits program.

In 2009, the Commission opted for a funded plan and, as required, established an irrevocable trust to receive contributions to fund actuarially determined liabilities.

On October 22, 2009 the Commission adopted resolution 2009-9, authorizing the creation of an IRC Section 115 integral part trust and the utilization of an employer savings and investment program offered by ICMA Retirement Corporation. Also on October 22, 2009 the Commission adopted resolution 2009-10 to amend the Commission's investment policy to allow investment in an integral part trust for the exclusive purpose of funding post-employment health benefits.

On November 30, 2009 The Delaware River Basin Commission Integral Part Trust was established with ICMA Retirement Corporation.

The following table shows the activity in the Trust since FY 2010:

<u>Fiscal Year</u>	<u>Contribution</u>	<u>Outlays</u>	<u>ARC</u>	<u>Totals</u>
2010	\$ 449,000	\$ 277,468	\$ (566,000)	\$ 160,468
2011	358,303	270,199	(566,000)	62,502
2012	343,029	307,741	(566,000)	84,770
2013	-	324,671	(607,034)	(282,363)
2014	280,569	309,245	(606,918)	(17,104)
2015	251,000	355,658	(606,918)	(260)
2016	205,000	362,025	(566,806)	219
2017	194,400	381,053	(566,806)	8,647
				<u>\$ 16,879</u>
				<u>OPEB Asset at 6/30/2017</u>

On June 30, 2015 the Integral Part Trust had assets valued at \$2,335,747.

The Commission provides eligible retirees with medical and prescription drug coverage paid by the employer and reimburses eligible retirees for Medicare Part B premiums. GASB 45 requires financial statement recognition of the cost of these benefits when earned by employees rather than when paid out. Employers are required to measure and disclose the annual OPEB cost based upon the employers annual required contribution (ARC). The ARC is the employer's periodic annual contribution calculated in accordance with GASB 45 parameters. The ARC includes the normal cost for the year plus amortization, not to exceed 30 years, of the total unfunded actuarial accrued liabilities.

DELAWARE RIVER BASIN COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 8: RETIREMENT HEALTH CARE BENEFITS (CONTINUED)

The Commission's current actuarial valuation, issued by Brown & Brown in September 2015, concludes that as of July 1, 2015 the Commission's unfunded actuarial accrued liability is \$4,798,519. The resulting annual required contribution (ARC) required by the Commission is \$566,806.

The calculated ARC contains normal cost and amortization amounts as follows:

Normal Cost	\$	180,111
Amortization Amount		386,695
Annual Required Contribution	\$	566,806

Actuarial Assumptions and Methods Used in the July 1, 2015 Valuation

Economic Assumptions:

Discount Rate 7%

Health Care Cost Trend Rates

<u>Year</u>	<u>Pre-65 Medical and Prescription Drugs</u>	<u>Post-65 Medical and Prescription Drugs and Medicare Part B</u>
2015	7.50%	5.00%
2016	7.00%	5.00%
2017	6.50%	5.00%
2018	6.00%	5.00%
2019	5.50%	5.00%
2020 & Later	5.00%	5.00%

Salary Increases 3%

Social Security Taxable Wage Base 3%

Consumer Price Index (inflation) 3%

Benefit Assumptions:

Future retirees are assumed to remain in the same medical plan they were covered under while active. The Per Capita claims cost is based on retiree premiums in effect for the valuation year projected with a medical trend inflation rate of 3% to the valuation date.

DELAWARE RIVER BASIN COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 8: RETIREMENT HEALTH CARE BENEFITS (CONTINUED)

Demographic Assumptions:

Mortality: Sex-distinct RP-2014 Employees and Healthy Annuitant Tables (headcount-weighted) and projected with scale MP-2014.

Retirement Rates: Earlier of (i) age 65 with completion of 15 years of Commission service, or (ii) age 62 with completion of 10 years of Commission service with 25 years of PERS service.

Withdrawal: Turnover rates vary by age. Illustrative annual rates per 1000 are as follows:

<u>Years of Service</u>	<u>Rate</u>	
1	250	
2	200	
3	150	
4	100	
	<u>Age</u>	<u>Rate</u>
5 or more	25	52.7
5 or more	30	48.3
5 or more	35	44.7
5 or more	40	38.4
5 or more	45	32.1
5 or more	50	15.2
5 or more	55	0
5 or more	60	0

Participation Rate: 100% of future retirees.

Spousal/Dependent Coverage: Future retirees will have spousal/dependent coverage upon retirement as they currently have. Current retiree spousal/dependent coverage information and spousal dates of births were provided by the Commission.

Expenses: Administrative expenses for reinsurance and medical and prescription drug costs are included in the above claims costs.

Decrement Timing: Mid-year.

Actuarial Cost Method:

The Projected Unit Credit method was used to determine the plan's cost.

The unfunded actuarial accrued liability is amortized as a level dollar amount using an open period of 30 years.

DELAWARE RIVER BASIN COMMISSION
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

NOTE 9: OPERATING TRANSFERS

Interfund Transfers are executed as a result of the requirements for the General Fund to match a portion of the expenses of the other funds. Interfund operating transfers are as follows:

	<u>Transfers From Other Funds</u>	<u>Transfers To Other Funds</u>
Governmental Funds:		
General Fund	\$ 2,058,024	\$ 820,216
Special Projects Fund	884,251	261,619
Total Governmental Funds	<u>2,942,275</u>	<u>1,081,835</u>
Enterprise Funds:		
Water Supply Storage Facilities Fund	<u>-</u>	<u>1,860,440</u>
Total	<u>\$ 2,942,275</u>	<u>\$ 2,942,275</u>

NOTE 10: EARLY RETIREMENT PROGRAM

On September 25, 1991, the Delaware River Basin Commission adopted Resolution 91-7. This resolution authorized the Commission to participate in the State of New Jersey Early Retirement Incentive Program. As of June 30, 2017, certain employees have exercised their option to retire utilizing the Early Retirement Incentive Program. Based on information provided to the Commission, the present value of the estimated additional pension liability for these employees totals \$329,232 at June 30, 2017, of which \$232,311 has been recorded in the General Fund, and \$96,921 has been recorded in the Proprietary Fund. This additional liability is to be paid over a period of 26 years. Payments made for this program during the year ended June 30, 2017, were \$58,867.

NOTE 11: FEDERAL CONTRIBUTION

The Energy and Water Appropriations Bill (P.L. 104-206) eliminated federal funding for the Delaware River Basin Commission for the federal fiscal year 1997 (October 1, 1997 through September 1, 1998). The federal government has not provided a contribution since 2009. The Commission continues its efforts to restore federal funding.

NOTE 12: LITIGATION

The Commission is subject to litigation and threats of litigation arising out of its activities. In June of 2013 the Commission received notice from landowners asserting that they have been financially harmed as a result of the Commission's imposition of a moratorium on its consideration of natural gas well projects in shale formations in the Basin. The moratorium continues pending completion of natural gas rulemaking. The Commission believes the landowners' assertions are without merit, and if litigation is commenced, the Commission will vigorously defend. The amount or range of reasonably possible loss resulting from such litigation, if and when it is commenced, cannot reasonably be estimated at this time.

NOTE 13: SUBSEQUENT EVENTS

The Commission has evaluated subsequent events occurring after June 30, 2017 through the date of December 7 2017, which is the date the financial statements were available to be issued. Based on this evaluation, the Commission has determined that no subsequent events have occurred that require disclosures in the financial statements.

REQUIRED
SUPPLEMENTAL
INFORMATION

DELAWARE RIVER BASIN COMMISSION
 GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (GAAP BASIS)
 YEARS ENDED JUNE 30, 2017 AND 2016

	2017			2016		
	Original Budget	Actual	Variance Final To Actual Favorable (Unfavorable)	Original Budget	Actual	Variance Final To Actual Favorable (Unfavorable)
Revenues:						
Signatory Party Contributions:						
State of Delaware	\$ 447,000	\$ 447,000	\$ -	\$ 447,000	\$ 447,000	\$ -
State of New Jersey	693,000	693,000	-	693,000	693,000	-
State of New York	359,500	359,500	-	359,500	359,500	-
Commonwealth of Pennsylvania	750,000	434,000	(316,000)	750,000	434,000	(316,000)
United States	715,000	-	(715,000)	715,000	-	(715,000)
Sale of Publications	2,800	1,726	(1,074)	2,700	2,707	7
Project Review Fees	1,252,000	833,063	(418,937)	400,000	839,249	439,249
Annual Fees	-	349,871	349,871	-	-	-
Interest Income	15,000	23,429	8,429	2,500	13,975	11,475
Fines, Assessments and Other Income	23,100	118,481	95,381	135,700	235,981	100,281
Total Revenues	<u>4,257,400</u>	<u>3,260,070</u>	<u>(997,330)</u>	<u>3,505,400</u>	<u>3,025,412</u>	<u>(479,988)</u>

DELAWARE RIVER BASIN COMMISSION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP BASIS)(CONTINUED)
YEARS ENDED JUNE 30, 2017 AND 2016

	2017			2016		
	Original Budget	Actual	Variance Final To Actual Favorable (Unfavorable)	Original Budget	Actual	Variance Final To Actual Favorable (Unfavorable)
Expenditures						
Personal Services	\$ 2,817,400	\$ 2,690,575	\$ 126,825	\$ 2,707,300	\$ 2,487,892	\$ 219,408
Special and Contractual Services	472,800	65,728	407,072	219,200	123,266	95,934
Other Services	166,000	160,880	5,120	158,000	168,158	(10,158)
Supplies and Other Materials	64,000	68,796	(4,796)	70,000	37,262	32,738
Buildings and Grounds	695,400	191,056	504,344	342,500	191,701	150,799
Communications	26,500	30,606	(4,106)	24,000	27,383	(3,383)
Travel	110,000	47,362	62,638	42,000	52,912	(10,912)
Maintenance, Replacements, Acquisitions and Rentals	166,600	51,569	115,031	140,900	153,302	(12,402)
Fringe Benefits and Other Contributions	1,630,400	1,566,171	64,229	1,608,200	1,439,677	168,523
Total Expenditures	6,149,100	4,872,743	1,276,357	5,312,100	4,681,553	630,547
Excess of Revenues Over (Under) Expenditures	(1,891,700)	(1,612,673)	279,027	(1,806,700)	(1,656,141)	150,559
Other Financing Sources (Uses)						
Operating Transfers In	2,254,700	2,058,024	(196,676)	2,169,700	2,166,118	(3,582)
Operating Transfers Out	(363,000)	(820,216)	(457,216)	(363,000)	(564,626)	(201,626)
Total Other Financing Sources (Uses)	1,891,700	1,237,808	(653,892)	1,806,700	1,601,492	(205,208)
Net Change in Fund Balances	-	(374,865)	(374,865)	-	(54,649)	(54,649)
Fund Balances-Beginning of Year	4,458,314	4,458,314	4,458,314	4,512,963	4,512,963	-
Fund Balances-End of Year	\$ 4,458,314	\$ 4,083,449	\$ 4,083,449	\$ 4,512,963	\$ 4,458,314	\$ (54,649)

DELAWARE RIVER BASIN COMMISSION
 SCHEDULE OF COMMISSION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 STATE OF NEW JERSEY
 PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Last 10 Fiscal Years*
(Dollar Amounts in Thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Commission's proportion of the net pension liability	0.0427852444%	0.0400999473%	0.0431396436%
Commission's proportionate share of the net pension liability	\$ 12,671,762	\$ 9,001,635	\$ 8,076,921
Commission's covered-employee payroll	\$ 2,856,105	\$ 2,809,302	\$ 2,918,162
Commission's proportionate share of the net pension liability as a percentage of its covered-employee payroll	443.67%	320.42%	276.78%
Plan fiduciary net position as a percentage of the total pension liability	31.20%	47.93%	52.08%

* The amounts presented for the fiscal year were determined as of the calendar year-end (12/31) that occurred within the fiscal year. The Commission adopted GASB 68 on a prospective basis in fiscal year 2015; therefore only three years is presented in the above schedule.

DELAWARE RIVER BASIN COMMISSION
 SCHEDULE OF COMMISSION'S CONTRIBUTIONS
 STATE OF NEW JERSEY
 PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Last 10 Fiscal Years*
(Dollar Amounts in Thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 380,098	\$ 344,752	\$ 355,637
Contributions in relation to the contractually required contribution	<u>(380,098)</u>	<u>(344,752)</u>	<u>(355,637)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's covered-employee payroll	\$ 2,856,105	\$ 2,809,302	\$ 2,918,162
Contributions as a percentage of covered-employee payroll	13.31%	12.27%	12.19%

* The Commission adopted GASB 68 on a prospective basis in fiscal year 2015; therefore only three year are presented in the above schedule.

STATISTICAL SECTION UNAUDITED

DELAWARE RIVER BASIN COMMISSION
NET POSITION (DEFICIT) BY COMPONENT
LAST SIX YEARS ENDING JUNE 30
(ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Government-wide Activities						
Net Investment in						
Capital Assets	\$ 1,309,088	\$ 1,297,686	\$ 1,225,993	\$ 1,296,488	\$ 1,243,769	\$ 1,235,557
Restricted	16,879	8,232	8,013	8,272	25,377	-
Unrestricted	<u>(5,917,029)</u>	<u>(4,894,193)</u>	<u>(4,812,105)</u>	<u>4,073,604</u>	<u>4,199,883</u>	<u>3,605,541</u>
Total Governmental Activities						
Net Position	<u>\$ (4,591,062)</u>	<u>\$ (3,588,275)</u>	<u>\$ (3,578,099)</u>	<u>\$ 5,378,364</u>	<u>\$ 5,469,029</u>	<u>\$ 4,841,098</u>
Business-Type Activities						
Net Investment in						
Capital Assets	\$ (5,992,734)	\$ (6,255,056)	\$ (6,289,341)	\$ (6,292,626)	\$ (6,144,978)	\$ (6,326,483)
Unrestricted	<u>25,243,145</u>	<u>24,243,915</u>	<u>23,655,228</u>	<u>22,923,355</u>	<u>21,264,716</u>	<u>21,093,887</u>
Total Business-Type Activities						
Net Position	<u>\$ 19,250,411</u>	<u>\$ 17,988,859</u>	<u>\$ 17,365,887</u>	<u>\$ 16,630,729</u>	<u>\$ 15,119,738</u>	<u>\$ 14,767,404</u>
Commission-Wide						
Net Investment in						
Capital Assets	\$ (4,683,646)	\$ (4,957,370)	\$ (5,063,348)	\$ (4,996,138)	\$ (4,901,209)	\$ (5,090,926)
Restricted	16,879	8,232	8,013	8,272	25,377	
Unrestricted	<u>19,326,116</u>	<u>19,349,722</u>	<u>18,843,123</u>	<u>26,996,959</u>	<u>25,464,599</u>	<u>24,699,428</u>
Total Commission						
Net Position	<u>\$ 14,659,349</u>	<u>\$ 14,400,584</u>	<u>\$ 13,787,788</u>	<u>\$ 22,009,093</u>	<u>\$ 20,588,767</u>	<u>\$ 19,608,502</u>

DELAWARE RIVER BASIN COMMISSION
 CHANGES IN NET POSITION (ACCRUAL BASIS OF ACCOUNTING)
 LAST SIX FISCAL YEARS – UNAUDITED

	Fiscal Year Ended June 30,					
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Expenses:						
Primary Government:						
General Government	\$ 3,394,181	\$ 2,585,242	\$ 2,631,032	\$ 2,695,492	\$ 2,737,337	\$ 2,894,334
Water Resource Management	1,038,948	1,159,005	608,925	628,351	555,555	532,990
Water Resource Operations	351,817	477,538	1,025,312	894,246	1,047,420	1,112,246
Science and Water Quality Management	785,545	462,150	401,471	326,237	450,034	649,476
Special Projects	1,766,458	1,731,624	1,738,325	1,987,066	2,068,231	1,538,918
Total Government Activities	<u>7,336,949</u>	<u>6,415,559</u>	<u>6,405,065</u>	<u>6,531,392</u>	<u>6,858,577</u>	<u>6,727,964</u>
Business-Type Activities:						
Water Supply Storage Facilities	1,474,321	1,720,829	1,304,051	1,441,325	1,493,536	1,337,685
Total Business-Type Activities	<u>1,474,321</u>	<u>1,720,829</u>	<u>1,304,051</u>	<u>1,441,325</u>	<u>1,493,536</u>	<u>1,337,685</u>
Total Primary Government	<u>\$ 8,811,270</u>	<u>\$ 8,136,388</u>	<u>\$ 7,709,116</u>	<u>\$ 7,972,717</u>	<u>\$ 8,352,113</u>	<u>\$ 8,065,649</u>
Program Revenues:						
Government Activities:						
Charges for Services:						
Project Review Fees	\$ 1,239,611	\$ 839,249	\$ 598,629	\$ 491,844	\$ 780,281	\$ 954,476
Operating Grants and Contributions	1,213,656	1,477,078	1,479,024	1,595,706	2,124,299	1,165,723
Total Government Activities Program Revenue	<u>2,453,267</u>	<u>2,316,327</u>	<u>2,077,653</u>	<u>2,087,550</u>	<u>2,904,580</u>	<u>2,120,199</u>
Business-Type Activities:						
Charges for Services:						
Water Supply Storage Facilities	3,495,596	3,482,420	3,557,378	3,188,909	3,314,826	3,417,057
Total Business-Type Activities Program Revenue	<u>3,495,596</u>	<u>3,482,420</u>	<u>3,557,378</u>	<u>3,188,909</u>	<u>3,314,826</u>	<u>3,417,057</u>
Total Commission Program Revenues	<u>\$ 5,948,863</u>	<u>\$ 5,798,747</u>	<u>\$ 5,635,031</u>	<u>\$ 5,276,459</u>	<u>\$ 6,219,406</u>	<u>\$ 5,537,256</u>

DELAWARE RIVER BASIN COMMISSION
 CHANGES IN NET POSITION (ACCRUAL BASIS OF ACCOUNTING)(CONTINUED)
 LAST SIX FISCAL YEARS – UNAUDITED

	Fiscal Year Ended June 30,					
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net (Expense)/Revenue:						
Governmental Activities	\$ (4,883,682)	\$ (4,099,232)	\$ (4,327,412)	\$ (4,443,842)	\$ (3,953,997)	\$ (4,607,765)
Business-Type Activities	<u>2,021,275</u>	<u>1,761,591</u>	<u>2,253,327</u>	<u>1,747,584</u>	<u>1,821,290</u>	<u>2,079,372</u>
Total Commission-Wide Net Expense	\$ (2,862,407)	\$ (2,337,641)	\$ (2,074,085)	\$ (2,696,258)	\$ (2,132,707)	\$ (2,528,393)
General Revenues and Other Changes in Net Position:						
Governmental Activities:						
Grants and Contributions Net						
Restricted to Special Programs	1,933,500	1,933,500	1,933,500	2,384,350	2,534,350	2,188,000
Investment Earnings	23,429	13,975	-	-	-	1,409
Miscellaneous Income	63,526	238,687	186,306	102,893	32,985	39,059
Transfers	<u>1,860,440</u>	<u>1,902,894</u>	<u>1,926,470</u>	<u>1,865,934</u>	<u>2,104,975</u>	<u>1,934,429</u>
Total Governmental Activities	<u>3,880,895</u>	<u>4,089,056</u>	<u>4,046,276</u>	<u>4,353,177</u>	<u>4,672,310</u>	<u>4,162,897</u>
Business-Type Activities:						
Investment Earnings	1,100,717	764,275	408,301	1,629,341	636,019	774,484
Transfers	<u>(1,860,440)</u>	<u>(1,902,894)</u>	<u>(1,926,470)</u>	<u>(1,865,934)</u>	<u>(2,104,975)</u>	<u>(1,934,429)</u>
Total Business-Type Activities	<u>(759,723)</u>	<u>(1,138,619)</u>	<u>(1,518,169)</u>	<u>(236,593)</u>	<u>(1,468,956)</u>	<u>(1,159,945)</u>
Total Commission-Wide	<u>\$ 3,121,172</u>	<u>\$ 2,950,437</u>	<u>\$ 2,528,107</u>	<u>\$ 4,116,584</u>	<u>\$ 3,203,354</u>	<u>\$ 3,002,952</u>
Changes in Net Position:						
Governmental Activities	\$ (1,002,787)	(10,176)	(281,136)	(90,665)	718,313	(444,868)
Cumulative Changes	-	-	(8,675,327)	-	-	-
Subtotal Governmental Activities	<u>\$ (1,002,787)</u>	<u>(10,176)</u>	<u>(8,956,463)</u>	<u>(90,665)</u>	<u>718,313</u>	<u>(444,868)</u>
Business-Type Activities	<u>1,261,552</u>	<u>622,972</u>	<u>735,158</u>	<u>1,510,991</u>	<u>352,334</u>	<u>919,427</u>
Total Commission	<u>\$ 258,765</u>	<u>\$ 612,796</u>	<u>\$ (8,221,305)</u>	<u>\$ 1,420,326</u>	<u>\$ 1,070,647</u>	<u>\$ 474,559</u>

DELAWARE RIVER BASIN COMMISSION
 FUND BALANCES GOVERNMENTAL FUNDS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)
 LAST SIX FISCAL YEARS – UNAUDITED

	Fiscal Year Ending June 30,						
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Fund:							
Committed/Assigned	\$ 518,466	\$ 711,393	\$ 847,323	\$ 893,582	\$ 910,687	\$ 1,287,035	\$ 1,200,189
Unassigned	<u>3,564,983</u>	<u>3,746,921</u>	<u>3,665,640</u>	<u>3,860,044</u>	<u>4,036,996</u>	<u>2,783,836</u>	<u>3,291,460</u>
Total General Fund	<u>\$ 4,083,449</u>	<u>\$ 4,458,314</u>	<u>\$ 4,512,963</u>	<u>\$ 4,753,626</u>	<u>\$ 4,947,683</u>	<u>\$ 4,070,871</u>	<u>\$ 4,491,649</u>
All Other Governmental Funds:							
Unreserved, Reported In:							
Special Revenue Fund	\$ -	\$ -	\$ -	\$ -	\$ 45,576	\$ 346,785	\$ 354,472
Total All Other Governmental Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,576</u>	<u>\$ 346,785</u>	<u>\$ 354,472</u>

**DELAWARE RIVER BASIN COMMISSION
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
LAST TEN YEARS – UNAUDITED**

	Fiscal Year Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Signatory Party Contributions:										
State of Delaware	\$ 447,000	\$ 447,000	\$ 447,000	\$ 468,456	\$ 520,830	\$ 465,593	\$ 127,000	\$ 447,000	\$ 496,995	\$ 491,331
State Of New Jersey	693,000	694,505	698,113	704,926	893,000	903,500	893,000	893,000	941,305	1,043,702
State of New York	359,500	359,500	359,500	246,000	246,000	365,500	370,505	472,800	638,891	696,009
Commonwealth of Pennsylvania	552,372	548,320	549,780	1,141,837	1,105,089	686,411	1,075,016	1,194,567	1,396,978	1,389,812
United States	432,401	869,793	859,461	681,780	984,514	692,322	887,067	1,177,445	1,247,241	1,089,108
Water Pollution Control Grant	-	-	-	-	-	-	-	-	-	-
Sale of Publications	1,726	2,707	2,778	2,444	2,775	3,450	2,604	3,797	3,850	4,410
Annual Fee	349,871	-	-	-	-	-	-	-	-	-
Project Review Fees	833,063	839,249	598,629	491,844	780,282	954,518	448,296	876,021	366,912	282,293
Overhead Reimbursement	-	-	-	-	-	-	-	-	-	-
Investment Income	23,429	13,975	-	-	59	1,366	108,599	4,989	98,997	281,456
Fines, Assessments and Other Income	781,364	727,441	696,287	837,510	939,369	293,152	362,961	306,574	343,646	430,010
Total Revenues	4,473,726	4,502,490	4,211,548	4,574,797	5,471,918	4,365,812	4,275,048	5,376,193	5,534,815	5,708,131
Expenditures:										
Personal Services	3,080,695	2,961,430	3,011,603	3,133,111	3,185,201	3,254,446	3,200,330	3,164,452	3,073,105	2,989,978
Special and contractual Services	1,127,070	1,023,993	955,814	1,087,400	1,324,809	1,176,378	1,258,916	1,299,652	1,296,004	2,030,419
Other Services	160,977	168,348	165,871	153,532	139,841	140,884	169,136	135,232	142,164	146,511
Supplies and Materials	87,504	58,183	47,237	67,254	64,757	55,422	57,534	64,701	65,482	65,046
Buildings and Grounds	304,624	236,561	202,329	271,377	250,725	186,302	175,127	191,007	224,765	330,318
Communications	39,603	34,748	26,274	27,439	23,755	20,134	26,147	34,047	40,325	45,724
Travel	51,155	59,165	61,060	62,849	32,529	46,018	66,133	50,258	46,794	62,724
Maintenance, Replacements										
Acquisitions and Rentals	63,937	199,693	145,549	109,320	100,683	139,677	81,939	116,964	167,845	201,450
Fringe Benefits and Other Contributions	1,793,466	1,717,912	1,762,944	1,768,082	1,788,616	1,709,443	1,684,286	1,561,351	1,148,468	1,063,827
Total Expenditures	6,709,031	6,460,033	6,378,681	6,680,364	6,910,916	6,728,704	6,719,548	6,617,664	6,204,952	6,935,997
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(2,235,305)	(1,957,543)	(2,167,133)	(2,105,567)	(1,438,998)	(2,362,892)	(2,444,500)	(1,241,471)	(670,137)	(1,227,856)
Other Financing Sources/(Uses):										
Operating Transfers In	2,942,275	2,793,991	2,262,609	2,619,017	2,952,197	2,384,568	2,215,026	2,323,696	1,425,080	1,863,910
Operating Transfer (Out)	(1,081,835)	(891,097)	(336,139)	(753,083)	(847,222)	(450,138)	(501,334)	(593,537)	(617,240)	(861,580)
Total Other Financing Sources and Uses	1,860,440	1,902,894	1,926,470	1,865,934	2,104,975	1,934,430	1,713,692	1,730,159	807,840	1,002,330
Net Change in Fund Balances	\$ (374,865)	\$ (54,649)	\$ (240,663)	\$ (239,633)	\$ 665,977	\$ (428,462)	\$ (730,808)	\$ 488,688	\$ 137,703	\$ (225,526)

DELAWARE RIVER BASIN COMMISSION
OUTSTANDING DEBT BY TYPE
LAST TEN YEARS – UNAUDITED

Fiscal Year Ended June 30,	Business-Type Activities <u>Due to U.S. Army Corps of Engineers</u>	Government Fund Type <u>Capital Lease</u>	<u>Total</u>
2017	\$ 9,887,503	\$ 29,007	\$ 9,916,510
2016	10,583,426	40,094	10,623,520
2015	11,065,397	51,183	11,116,580
2014	11,531,473	-	11,531,473
2013	11,810,071	-	11,810,071
2012	12,418,024	-	12,418,024
2011	12,678,838	-	12,678,838
2010	13,247,073	-	13,247,073
2009	13,491,240	12,456	13,503,696
2008	14,022,355	22,513	14,044,868

SUPPLEMENTAL SCHEDULES

DELAWARE RIVER BASIN COMMISSION
 SCHEDULE OF ACTIVE PROJECTS – UNAUDITED
 THROUGH JUNE 30, 2017

	USGS Monitors 310	Data Tracking 314A	Groundwater Pennsylvania Protected Area 315	Port Jarvis Ice Flow Maintenance Project 320	Eutrophic Modeling 323	Buildng Improvements 324A	NG Software Tool and Process 326B	Nutrient Monitoring of Discharges 327A	USACE In-Kind 327B	Exelon 59 Degree Lim. 329A	Page Total
Cumulative Expenditures from Date of Inception Through 6/30/2016	\$ 3,980,085	\$ 954	\$ 6,514,378	\$ 3,729	\$ -	\$ (103,460)	\$ 547,273	28,384	\$ -	\$ 26,305	\$ 10,997,648
Current Fiscal Year											
Expenditures and Encumbrances:											
Personal Services	-	-	48,523	-	22,292	-	53,104	-	39,584	179	163,682
Special and Contractual Services	260,147	-	-	-	5,795	199	33,975	43,204	-	-	343,320
Supplies, Materials and Equipment	-	-	-	-	-	6,925	3,000	-	-	-	9,925
Travel and Communications	-	-	107	-	-	-	12	-	-	-	119
Fringe Benefits	-	-	28,453	-	12,976	-	30,911	-	23,042	104	95,486
Transfers and Refunds	(64,035)	63,476	41,289	-	3,158	(118,000)	(24,342)	-	62,626	(283)	(36,111)
Total Current Fiscal Year	196,112	63,476	118,372	-	44,221	(110,876)	96,660	43,204	125,252	-	576,421
Total Expenditures from Date of Inception Through June 30, 2017	4,176,197	64,430	6,632,750	3,729	44,221	(214,336)	643,933	71,588	125,252	26,305	11,574,069
Capital Expenditures	-	10,570	12,720	-	-	214,336	5,067	-	-	-	242,693
Total Funding Awarded for Project	4,235,433	75,000	6,656,620	97,681	462,500	-	649,000	75,000	125,252	26,305	12,402,791
Funding Available to Complete Project	\$ 59,236	\$ -	\$ 11,150	\$ 93,952	\$ 418,279	\$ -	\$ -	\$ 3,412	\$ -	\$ -	\$ 586,029

DELAWARE RIVER BASIN COMMISSION
 SCHEDULE OF ACTIVE PROJECTS – UNAUDITED
 THROUGH JUNE 30, 2017
 (CONTINUED)

	FFMP 336	Technical Report 337A	Early Warning System 343	Natural Gas Monitoring 350A	PA Water Planning 353	PPL Ash Spill Settlement 361	Sec. 106 Water Pollution Control Grant 362	Wm. Penn Foundation 372	Wm. Penn Foundation -PCBs 373	Nutrient Expert Panel 384	Totals
Cumulative Expenditures from Date of Inception Through 6/30/2016	\$ -	\$ -	\$ 692,840	\$ 71,262	\$ 935,360	\$ 3,939	\$ 2,041,394	\$ -	\$ -	\$ -	\$ 14,742,443
Current Fiscal Year:											
Expenditures and Encumbrances:											
Personal Services	-	7,819	-	-	-	1,243	217,378	-	-	-	382,303
Special and Contractual Services	-	-	90,628	-	-	-	619,613	-	-	7,878	1,061,439
Supplies, Materials and Equipment	-	-	-	-	-	-	15,740	-	-	-	25,665
Travel and Communications	-	-	-	-	-	-	11,283	-	-	1,387	12,789
Fringe Benefits	-	4,551	-	-	-	724	126,533	-	-	-	222,743
Transfers and Refunds	15,593	(2,370)	-	78,738	-	1,107	(561,179)	3,000	3,843	-	(510,602)
Total Current Fiscal Year	15,593	10,000	90,628	78,738	-	3,074	429,368	3,000	3,843	9,265	1,194,337
Total Expenditures from Date of Inception Through June 30, 2017	15,593	10,000	783,468	150,000	935,360	7,013	2,470,762	3,000	3,843	9,265	15,936,780
Capital Expenditures	-	-	-	-	5,799	-	3,034	-	-	-	251,526
Total Funding Awarded for Project	15,593	10,000	783,468	150,000	1,100,000	952,150	2,993,613	3,000	3,843	22,733	18,411,598
Funding Available to Complete Project	\$ -	\$ -	\$ -	\$ -	\$ 158,841	\$ 945,137	\$ 519,817	\$ -	\$ -	\$ 13,468	\$ 2,223,292

DELAWARE RIVER BASIN COMMISSION
GENERAL FUND EXPENDITURES –
BY CATEGORY AND OBJECT UNAUDITED
YEARS ENDED JUNE 30, 2017
(MODIFIED ACCRUAL BASIS)

	2017	2016
Personnel Services	\$ 2,690,575	\$ 2,487,892
Special and Contractual Services:		
Auditing	15,725	15,725
Computer and Financial	16,296	15,964
All Other Special and Contractual Services	33,707	91,577
Total Special and Contractual Services	65,728	123,266
Other Services:		
Insurance	124,605	121,884
Advertising	7,660	17,878
Memberships	16,925	17,361
All Other	11,690	11,035
Total Other Services	160,880	168,158
Supplies and Materials:		
Vehicular	5,375	5,950
Office	61,224	29,763
Library	2,197	1,549
Total Supplies and Materials	68,796	37,262
Buildings and Grounds	191,056	191,701
Communications:		
Postage	4,840	3,742
Telephone and Other	25,766	23,641
Total Communications	30,606	27,383
Travel:		
Travel	19,534	20,544
Commission Meeting Expense	27,828	32,368
Total Travel	47,362	52,912
Maintenance, Replacements, Acquisitions and Rentals:		
Office Equipment	5,619	121,052
Vehicular Equipment	2,973	6,949
Computers	31,220	14,212
Office Equipment Rental	668	-
Other	11,089	11,089
Total Maintenance, Replacements, Acquisitions and Rentals	51,569	153,302
Fringe Benefits and Other Contributions:		
Employees' Retirement	410,396	383,369
Social Security	194,535	183,624
Health and Dental Benefits	940,217	855,145
Unemployment Compensation	8,801	7,162
Long-Term Disability	10,604	8,981
Other Fringes	1,618	1,396
Total Fringe Benefits and Other Contributions	1,566,171	1,439,677
Total General Fund Expenditures	\$ 4,872,743	\$ 4,681,553

DELAWARE RIVER BASIN COMMISSION
 CHANGES IN SPECIAL PROJECTS
 ADVANCE/(RECEIVABLE) BALANCE – BY PROJECT - UNAUDITED
 YEAR ENDED JUNE 30, 2017

Advances:	Project	Balance July 1, 2016	Cash Receipts	Transfers	Expenditures	Balance June 30, 2017
310	USGS Monitors	\$ 60,443	\$ 194,905	\$ 64,035	\$ (260,147)	\$ 59,236
314A	Data Tracking - Haas Trust	63,476	-	(63,476)	-	-
315	Groundwater - PA	8,922	120,600	(41,289)	(77,083)	11,150
320	Upper Delaware Ice Jam	93,426	526	-	-	93,952
322	Flow and Temp. Modeling	16,622	-	-	-	16,622
326B	NG Software Tool, Planning	101,728	-	24,342	(126,070)	-
327A	Nutrient Monitoring Of Discharges	16,006	30,610	-	(43,204)	3,412
336	Flexible Flow Management Plan	15,593	-	(15,593)	-	-
343	Early Warning System	10,451	80,177	-	(90,628)	-
350A	NG Monitoring Haas rust	78,738	-	(78,738)	-	-
353	PA Water Planning	158,841	-	-	-	158,841
361	PPL Ash Spill	948,211	-	(1,107)	(1,967)	945,137
372	William Penn Foundation	3,000	-	(3,000)	-	-
373	William Penn Fd. - PCBs	3,843	-	(3,843)	-	-
384	Nutrient Expert Panel	22,733	-	-	(9,265)	13,468
	Total Advances	<u>\$ 1,602,033</u>	<u>\$ 426,818</u>	<u>\$ (118,669)</u>	<u>\$ (608,364)</u>	<u>\$ 1,301,818</u>
Accounts Receivable:						
362	Water Pollution Control	\$ (338,782)	\$ 690,018	\$ 561,179	\$ (993,580)	\$ (81,165)
323	Eutrophic Modeling	-	-	(3,158)	(41,063)	(44,221)
337A	Technical Report	-	-	2,370	(12,370)	(10,000)
	Total Accounts Receivable	<u>\$ (338,782)</u>	<u>\$ 690,018</u>	<u>\$ 560,391</u>	<u>\$ (1,047,013)</u>	<u>\$ (135,386)</u>